Saskatchewan
Finance

Annual Report 2000

Public Employees Group Life Insurance Fund

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Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the tenth Annual Report of the Public Employees Group Life Insurance Fund for the year ending December 31, 2000.

I have the honour to be, Madam,

Your obedient servant,

Eric Cline
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

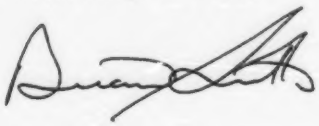
The Honourable Eric Cline
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the tenth Annual Report of the Public Employees Group Life Insurance Fund for the year ending December 31, 2000.

Respectively submitted,



Brian Smith
Executive Director

INTRODUCTION

The Public Employees Group Life Insurance Plan was established on April 1, 1958.

The Plan provides comprehensive life insurance coverage to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also provided coverage under the Plan.

As at December 31, 2000 there were approximately 31,490 insured employees representing the following participating employer groups:

Agricultural Credit Corporation of Saskatchewan
Anti-Tuberculosis League Employees Superannuation Plan (Superannuates)
Battlefords District Health Board - Battlefords Regional Care Centre
Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Board of the Saskatchewan Centre of the Arts
Cafeteria Board of Saskatchewan
Canadian Labour Congress Local 481 (Saskatchewan Government Employees Union, Union Office employees)
Children's Advocate
Crown Investments Corporation of Saskatchewan
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner
Judges of the Provincial Court
Judges of the Provincial Court Superannuation Plan (superannuates)
Legislative Assembly (Members of the)
Legislative Assembly Office (Employees of the)
Legislative Library (Employees of the)
Liquor and Gaming Authority
Liquor Board Superannuation Plan (Superannuates)
Meewasin Valley Authority
Members of the Legislative Assembly Superannuation Plan (superannuates)
Milk Control Board
National Print It Centre
NDP Caucus Office
North Central District Health Board – Parkland Regional Care Centre
Office of the Children's Advocate
Office of the Information and Privacy Commissioner
Office of the Leader of the Opposition
Office of the Legislative Counsel and Law Clerk (Employees of the)
Office of the Ombudsman
Office of the Provincial Auditor
Ombudsman
Power Corporation Superannuation Plan (superannuates) (The)
Power Greenhouses Inc.
Prairie Diagnostic Services
Provincial Auditor
Public Employees Pension Plan (Pensioners)
Public Service of Saskatchewan as defined by *The Public Service Act*
Public Service Superannuation Plan (superannuates)
Regina District Health Board - Regina General Hospital
Saskatchewan Archives Board
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Cancer Agency
Saskatchewan Communications Network Corporation
Saskatchewan Crop Insurance Corporation
Saskatchewan Government Insurance
Saskatchewan Health Information Network
Saskatchewan Human Rights Commission
Saskatchewan Institute of Applied Science and Technology
Saskatchewan Land Information Services Corporation
Saskatchewan Municipal Board
Saskatchewan Party Caucus
Saskatchewan Power Corporation
Saskatchewan Property Management Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications Superannuation Plan (superannuates)
SaskEnergy Incorporated
Sask Pork
SGI Canada Insurance Services Limited
South Central District Health Board - Souris Valley Regional Care Centre
South Saskatchewan River Irrigation District #1
St. Louis Alcoholism Rehabilitation Centre
Swift Current District Health Board - Palliser Regional Care Centre
Tourism Authority

TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Corporation
Wascana Centre Authority
Western Development Museums
Weyerhaeuser
Workers' Compensation Board (The)
Workers' Compensation Board Superannuation Plan (The) (superannuates)

OPERATION OF THE PLAN

Administration

The Public Employees Group Life Insurance Plan is underwritten on a cost-plus basis and is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The Co-operators Life Insurance Company under Group Policy G.1100 (Life) provides claims adjudication and benefit payment services to the Plan.

Investment Management Services

The Minister of Finance is authorized to invest money of the Group Life Insurance Fund in any securities authorized for investment under the "Investment Policy Guidelines".

The Co-operators Investment Counselling Limited invests the monies of the Fund under a contract to provide services. The Fund pays management fees to the Co-operators Investment Counselling Limited.

Funding

Funding for the Plan is comprised of employee and employer paid insurance premiums based on salary and the age, gender and smoker status of the employee.

Premiums/Claims Experience

	Dec. 31, 2000	Dec. 31, 1999
Premiums	$9,272,369	$9,174,167
Claims	$7,678,092	$7,030,085
# Claims		
- Employee	105	70
- Dependent	77	47

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Group Life Insurance Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with the generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The report of a valuation actuary on the provision for life insurance benefits of the Fund, made in accordance with accepted actuarial practices and using assumptions adopted by management, has been used in the preparation of the financial statements.

We believe the Public Employees Group Life Insurance Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with the disclosed basis of accounting.

We enclose the financial statements of the Public Employees Group Life Insurance Fund for the year ended December 31, 2000 and the Provincial Auditor's report on these financial statements.

Brian Smith
Executive Director
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Regina, Saskatchewan
February 27, 2001

PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2000

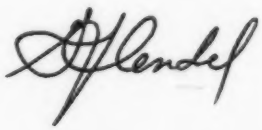
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Group Life Insurance Fund as at December 31, 2000 and the statements of operations and net assets and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
February 27, 2001

Fred Wendel, CMA, CA
Acting Provincial Auditor

PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND
STATEMENT OF FINANCIAL POSITION

STATEMENT 1

AS AT DECEMBER 31

	2000	1999
ASSETS		
Current Assets:		
Cash	$ 81,202	$ 80,796
Accounts receivable (Note 8)	533,369	699,088
Receivable from Co-operators Life Insurance Company (Note 8)	208,584	690,623
	823,155	1,470,507
Due from Co-operators Life Insurance Company	44,885,257	38,270,368
Total assets	$45,708,412	$39,740,875
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable (Note 8)	$ 159,883	$ 237,410
Claims payable (Note 8)	793,399	692,105
	953,282	929,515
Payable to SaskPower (Note 4)	299,857	274,135
Provision for life insurance benefits (Note 3)	23,623,800	21,884,900
Total Liabilities	24,876,939	23,088,550
NET ASSETS (Statement 2)	20,831,473	16,652,325
TOTAL LIABILITIES AND NET ASSETS	$45,708,412	$39,740,875

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND
STATEMENT OF OPERATIONS AND NET ASSETS

STATEMENT 2

YEAR ENDED DECEMBER 31

	2000		1999
	Budget (Note 9)	Actual	Actual
REVENUE			
Premiums	$ 9,315,000	$ 9,272,369	$ 9,174,167
Investment income	4,000,000	4,944,876	2,032,346
	13,315,000	14,217,245	11,206,513
EXPENSE			
Claims	7,200,000	7,678,092	7,030,085
Change in provision for life insurance benefits	-	1,738,900	5,781,900
Administration (Note 5)	259,952	140,839	183,339
Premium taxes - General Revenue Fund	280,000	206,106	164,201
Adjudication fees	170,000	176,511	157,557
Management fees (Note 6)	95,000	97,649	85,081
	8,004,952	10,038,097	13,402,163
Surplus (Deficit) for the year	5,310,048	4,179,148	(2,195,650)
NET ASSETS, BEGINNING OF YEAR	16,652,325	16,652,325	18,847,975
NET ASSETS, END OF YEAR - Statement 1	$21,962,373	$20,831,473	$16,652,325

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND **STATEMENT 3**
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

	2000	1999
Cash flows from operating activities:		
Premiums received	$ 9,864,330	$ 8,809,178
Claims paid	(7,576,798)	(7,533,110)
Administration expenses paid	(137,757)	(197,552)
Premium taxes paid	(205,383)	(164,261)
Adjudication fees paid	(176,323)	(157,576)
Management fees paid	(97,650)	(85,081)
	1,670,419	671,598
Cash flows from investing activities:		
Proceeds from sale of investments	4,944,876	2,032,346
Purchase of investments	(6,614,889)	(2,626,469)
	(1,670,013)	(594,123)
Net increase in cash	406	77,475
CASH, BEGINNING OF YEAR	80,796	3,321
CASH, END OF YEAR	$ 81,202	$ 80,796

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2000

1. Description of Fund

The Public Employees Group Life Insurance Fund (PEGIF) is a special purpose fund used to account for the premiums, claims, investment and certain administrative transactions of the Group Life Insurance Plan (Plan). The Plan continues under subsection 64(2) of *The Financial Administration Act, 1993*.

This Plan is managed by the Public Employees Benefits Agency (PEBA) and provides comprehensive life insurance coverage to certain members of the public service of the Province of Saskatchewan and other Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Plan provides life insurance coverage for a specific period without a medical examination. The coverage is renewed automatically every year to a maximum age of sixty-five. An election can be made by the member to continue insurance coverage from sixty-five to seventy-five years old at a higher premium rate. The Plan insurance coverage does not include accumulation of cash values. The Plan is administered under the terms of an agreement with The Co-operators Life Insurance Company.

Claims are adjudicated and processed for payment by the Co-operators Life Insurance Company.

Premiums are paid by the employers on the first $25,000 of coverage. Employees pay for the remainder of their coverage at a rate of $0.25 to $0.27 per month per $1,000 coverage.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Due from Co-operators Life Insurance Company (Co-operators)

According to the agreement between PEBA and Co-operators, Co-operators has established a segregated fund for the investment of PEGIF's monies. The PEGIF's units in the fund represents a debt due by Co-operators. This debt is represented by the segregated fund.

The segregated fund is valued at market and any increase/decrease in the value of the segregated fund is accounted for in the statement of operations and net assets as investment income.

Fair value of the segregated fund approximates its market value.

b) Provision for Life Insurance Benefits

Group Life policies are considered yearly termed life policies that are automatically renewed every year. Under such life policies, claims are recorded in the year of the claim. The provision for life insurance benefits represents the present value of future payments arising from benefits for disabled employees whose premiums have been waived. This provision includes an amount for benefits incurred but not reported. The provision also includes the present value of the retirement death benefit certificates for those employees who retired prior to year-end. The present value is determined pursuant to an actuarial valuation. Any resulting change in the

liability pursuant to the valuation is recognized as a revenue or expense item in that year's operations.

c) Claims Expense

Claims expense includes future payments arising from life claims received during the year and life claims received after the year for fatalities that occurred during the year.

d) Cash

Cash consists of balances with the bank.

3. Actuarial Valuation

An actuarial valuation was performed by Aon Consulting Inc. as at December 31, 2000 and as at December 31, 1999 to value the liability of making future benefit payments to disabled members whose premiums have been waived prior to year end and the retirement death benefit certificates for those members who retired prior to year end.

The actuarial present value of future benefits as at December 31 and the principal components of the change in actuarial present value during the year, were as follows:

	2000	
	Waived Premiums	**Retirement Certificates**
Actuarial present value of future benefits at beginning of year	$15,433,800	$6,451,100
Interest accrued on benefits	964,600	385,100
Experience (gain) loss	(2,796,100)	32,000
New Claims	4,922,200	704,000
Expected Benefit payments	(2,216,000)	(256,900)
Actuarial present value at end of year	$16,308,500	$7,315,300

The liability as at December 31, 2000 is $23,623,800 (1999 - $21,884,900) and included $7,315,300 (1999 - $6,451,100) for retirement death benefit certificates. The remainder was for waived premiums.

The valuation is based on the following assumptions: 1) the life waiver valuation is based on the 1970 Group Life Waiver Valuation Table for recovery and 150% of the 1993 Canada Pension Disabled Life Mortality Experience Table for death rates; 2) the interest rate assumed is 6.25%; 3) the mortality rates of existing retirees are based on the Canadian Life 1990-92 tables; 4) a maximum 3% consumer price indexing of future benefit payments to disabled members whose life insurance premiums have been waived; 5) the inflation rate assumed is 3.25% for all future years (1999 – 2% for the first 3 years and 3% thereafter).

If the valuation assumed no cost of living allowance indexing of disability benefits each year, the liability at December 31, 2000 would be $20,943,600 (1999 - $19,363,500).

The liability for future benefits to disabled members whose premiums have been waived prior to year end and the retirement death benefit certificates for those members having retired prior to year end are based on a number of assumptions about future events including: recovery and mortality rates and interest rates. The actual experience may vary significantly from the assumptions used.

The following illustrates the effect of changes in the interest rate and mortality on retirement death benefit certificates:

- a 1% change in the interest rate equals a 17.8% change in the liability including the cost of living adjustment
- a 10% change of the Group Life Insurance mortality equals a 7% change in the liability

The following illustrates the effect of changes in the interest rate, cost of living adjustment and mortality on group life waivers:

- a 1% change in the interest rate equals a 6.3% change in the liability including the cost of living adjustment
- a change in the cost of living adjustment of 1% equals a 5.9% change in the liability
- a change of waiver mortality by 10% equals a 6.6% change in the liability

The liability is long term in nature. Management has no intention of settling its obligation in the near term. Therefore it is not practical to determine the fair value of this liability.

4. Retirement Death Benefit Certificate

Effective January 1, 1991, PEGIF began issuing a $3,000 paid up life insurance policy (Retirement Death Benefit Certificate) to retired employees of this plan. The value was increased to $5,000 effective April 1, 1993 for those individuals retiring on or after this date.

SaskPower, SaskEnergy, SGI, Sask Property Management Corp. and the public service in conjunction with CUPE 600 provide a $10,000 paid up life insurance policy to their employees. Additional premiums are submitted for this enhanced benefit.

The paid up certificate remains in force and has no cash value until the employee's death, at which time the face value is payable to the designated beneficiary.

The liability for the paid up policies is included in the provision for life insurance benefits liability shown in the statement of financial position, with the exception of the enhanced portion of the paid up policy of SaskPower. PEGIF has an agreement with SaskPower transferring the liability to the corporation effective 1998. PEGIF continues to collect premiums and pay claims on the corporation's behalf. Accordingly, a payable to SaskPower exists as the current activity to date has premiums exceeding claims.

5. Administration Expenses

The Public Employees Benefits Agency Revolving Fund administers the Public Employees Group Life Insurance Fund for a mutually agreed upon fee. Public Employees Group Life Insurance Fund pays the annual administration expenses to the Public Employees Benefits Agency Revolving Fund on agreed upon dates.

6. Management Fees

The Minister of Finance is authorized to invest money of the Group Life Insurance Fund in any securities authorized for investment under the "Investment Policy Guidelines".

The Co-operators Investment Counselling Limited invests the monies of the Fund under a contract to provide services. The Fund pays management fees to the Co-operators Investment Counselling Limited.

7. Investment Performance

The Fund's investments are represented by the amounts due from Co-operators Life Insurance Company (see note 2).

The following is a summary of the Fund's investment performance:

	2000	Four year annualized return
Fund (a)	12.5%	10.4%
Benchmark (b)	5.9%	9.4%

(a) The annual returns are before deducting investment expenses.

(b) The benchmark return is the Fund's target rate of return for its segregated fund. The benchmark return is calculated using actual returns and the Fund's planned investment portfolio for its segregated fund.

8. Accounts Receivable / Receivable from Co-operators Life Insurance Company/Accounts and Claims Payable

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair value of these financial instruments approximates carrying value. The Fund is exposed to minimal credit risk from the potential non-payment of accounts receivable because they are from government organizations.

9. Budget

PEBA prepares and approves the Public Employees Group Life Insurance Fund's budget. PEBA included the Public Employees Group Life Insurance Fund's budget in PEBA's budget submission to Treasury Board.

10. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan collectively referred to as "related parties". These transactions are recorded at agreed upon exchange amounts.

Due to the nature of the Fund, all premiums have been received from related parties.

At year-end, the accounts receivable and accounts payable are due to/from related parties.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.